

## Message Text

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ORIGIN NEA-07

INFO OCT-01 SS-14 ISO-00 EB-03 INR-05 CIAE-00 DODE-00  
NSC-05 NSCE-00 L-01 TRSE-00 H-01 PRS-01 PM-03 SP-02  
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DRAFTED BY NEA/ARN:WNHOWELL/NEA/RA:DMORRISON:PDW  
APPROVED BY NEA:SSOBER  
AID/NE/ME:BRICHARDSON (DRAFT)  
NE/CU:STAUBENBLATT (DRAFT)  
COM/NE:RLOOPER (SUBS)  
GC/NE:RMEIGHAN (INFO)  
PPC/RC:MJHEYL (INFO)

-----120059Z 003422 /63

O 120042Z MAR 77  
FM SECSTATE WASHDC  
TO AMEMBASSY BEIRUT IMMEDIATE

C O N F I D E N T I A L STATE 055234

LIMDIS

E.O. 11652: GDS

TAGS: EAID, ETRD, PFOR, LE

SUBJECT: ARAB BOYCOTT: PORT PROCUREMENT UNDER AID  
PROGRAM

REF: BEIRUT 890

1. YOU SHOULD SEEK EARLY OPPORTUNITY TO RAISE ONCE AGAIN  
WITH PRIME MINISTER AL-HOSS THE QUESTION OF PARTICIPATION  
BY BLACKLISTED U.S. FIRMS IN COMPETITIVE BIDDING UNDER USG  
ASSISTANCE PROGRAM FOR LEBANON.

2. IN DISCUSSING ISSUE WITH THE PRIME MINISTER, YOU SHOULD  
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DRAW UPON FOLLOWING POINTS IN SEEKING PERSUADE HIM THAT  
BOYCOTT QUESTIONS SHOULD NOT BE PERMITTED TO INTRUDE INTO  
SELECTION OF FIRMS UNDER AID PROGRAMS:

-- QUICK RECONSTRUCTION REQUIREMENTS WHICH LEBANON  
CURRENTLY FACES SHOULD BE REASON ENOUGH NOT TO ALLOW INTER-  
FERENCE BY SECONDARY BOYCOTT RULES WITH NEED TO OBTAIN

BEST AVAILABLE SUPPLIES FROM U.S. SOURCES. (WE ARE NOT RPT NOT ASKING LEBANON TO END BOYCOTT OF ISRAEL IN CONJUNCTION WITH RECEIPT OF AID-FINANCED ASSISTANCE; WE MUST ASK, HOWEVER, THAT IT NOT DISCRIMINATE AGAINST INDIVIDUAL U.S. FIRMS IN ITS PROCUREMENT UNDER U.S. ASSISTANCE PROGRAM.)

-- WE HAVE MADE AND WILL CONTINUE TO MAKE EVERY REASONABLE EFFORT, AS IN CASE OF PORT EQUIPMENT, TO FILL PRESSING NEEDS IDENTIFIED BY GOVT OF LEBANON. TO DO THIS, HOWEVER, WE NEED LEBANESE COOPERATION TO AVOID COMPLICATION OF PROCUREMENT PROCESS.

-- IN ALL OF OUR RECENT ASSISTANCE PROGRAMS TO EGYPT, SYRIA AND JORDAN, WE HAVE BEEN ABLE TO INFORM CONGRESS THAT IN NO CASE HAS U.S. FIRM BEEN PREVENTED FROM COMPETING FOR REASONS RELATED TO ARAB SECONDARY BOYCOTT OF U.S. FIRMS. IN EACH CASE WHERE BOYCOTT QUESTIONS HAVE ARISEN IN CONTEXT OF AID PROGRAMS IN THESE COUNTRIES, GOVERNMENTS CONCERNED HAVE AGREED TO DELETE OR MODIFY BOYCOTT RESTRICTIONS IN PROGRAM DOCUMENTATION SO THAT ANY QUALIFIED U.S. FIRMS COULD PARTICIPATE IF THEY WISHED TO DO SO. IF LEBANESE REFUSE TO ACT SIMILARLY (E.G. TO FACE POSSIBILITY THAT FORD MIGHT WIN SUPPLY CONTRACT, IT COULD BE EXPECTED SERIOUSLY TO ENDANGER OUR AID EFFORT. CONGRESSIONAL SUPPORT FOR THIS EFFORT, WHICH WE BELIEVE IS WIDESPREAD, COULD BE SHARPLY ERODED. USE OF BOYCOTT-RELATED CONDITIONS IN PROJECT SELECTION BY LEBANON COULD ALSO RAISE BROADER QUESTIONS CONCERNING URGENCY OF LEBANON'S NEED FOR THIS KIND OF U.S. ASSISTANCE.

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-- AS TO SPECIFICS OF BOYCOTT EXCEPTIONS BY OTHER ARAB GOVERNMENTS, WE PREFER NOT TO DISCLOSE TO ANY COUNTRY THE DETAILS OF SUCH TRANSACTIONS. HOWEVER, SOME \$50 MILLION IN SUPPLIES BY ONE BLACKLISTED FIRM ARE NOW IN PROCESS OF BEING PRODUCED AND DELIVERED TO ARAB BOYCOTTING COUNTRY UNDER AID-FINANCED PROCUREMENT. ALSO, UNDER COMMERCIAL TRANSACTIONS IT HAS LONG BEEN PRACTICE FOR ARAB COUNTRIES TO MAKE EXCEPTIONS FOR DEVELOPMENT OR FOR NATIONAL SECURITY REASONS (E.G., PURCHASES OF LANDROVERS DURING PERIOD WHEN BRITISH LEYLAND WAS BOYCOTTED). FYI: AMERICAN MOTORS HAS WON BID TO SUPPLY APPROX. DOLS 50 MILLION IN CHASSIS/PARTS FOR CAIRO BUSES UNDER AID-FINANCING. ALSO, FORD IS BIDDING TO SUPPLY EQUIPMENT UNDER AID FINANCING OF EGYPTIAN IMPORTS THOUGH AWARDS NOT YET MADE. END FYI.

-- GIVEN PRAGMATIC APPROACH OF OTHER ARAB GOVERNMENTS TO MAKING EXCEPTIONS TO BOYCOTT RULES WHERE IN THEIR NATIONAL

INTEREST TO DO SO, WE DO NOT BELIEVE THAT OTHER ARAB STATES WOULD SEEK TO EMBARRASS LEBANON ON THIS MATTER.

-- HAVING IN MIND THAT LEBANESE EXCEPTION WOULD NOT BE FIRST SUCH DECISION BY ARAB COUNTRIES, WE URGE PRIME MINISTER TO GIVE CAREFUL CONSIDERATION TO THIS APPROACH-- TAKING SUCH ADDITIONAL STEPS AS MIGHT BE APPROPRIATE TO

PREVENT EXCEPTION FROM BECOMING DISRUPTIVE INTERNAL ISSUE.

3. EMBASSY REQUESTED REPORT PRIME MINISTER'S RESPONSE.  
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## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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